

# ARTICLE: CORPORATIONS, COMMON GOODS, AND HUMAN PERSONS

Winter, 2006

## Reporter

4 Ave Maria L. Rev. 1 \*

**Length:** 29192 words

**Author:** Robert G. Kennedy, PhD+

+ Professor and Chair, Department of Catholic Studies, University of St. Thomas; Co-director, Terrence J. Murphy Institute for Catholic Thought, Law, and Public Policy, University of St. Thomas.

## Highlight

---

It's not the mission of the Church to work out practical methods by which the just state is brought into being. The function of the Church is to form public men who will. Men of Christian conscience and moral purpose, who believe that human beings have a right to live on the plane of morality, dignity, and security intended by God. <sup>1</sup>

Henry Morton Robinson, *The Cardinal*

## Text

---

[\*1]

The Catholic Church has long maintained an ambivalent attitude toward commerce. At an early stage, the thinking of the Church was strongly shaped by the ancient Greek disdain of trade and money-making as well as by the Roman affection for agriculture. <sup>2</sup> Successful commerce seemed inevitably to require deceit and to place the merchant in danger of succumbing to the lure of excess wealth. On the other hand, after nearly a millennium of experience with severely limited trade in Europe, the commercial explosion of the fifteenth and sixteenth centuries brought unexpected prosperity. This prosperity made it possible for a flourishing of art and architecture that was greatly welcomed by the Church in the West.

What is less known is that this new wave of trade also provoked a serious rethinking of Catholic attitudes toward commerce. A number of Catholic theologians in the sixteenth and seventeenth centuries, especially in Spain, turned their attention to the new questions presented by intercontinental trade, such as the morality of innovative [\*2] forms of contracts and financing, novel business partnerships, the rights of indigenous peoples, and many others.

---

<sup>1</sup> Henry Morton Robinson, *The Cardinal* 392 (1950).

<sup>2</sup> It must not be imagined that the Church was alone in this disdain. In their excellent short history of the development of corporations, John Micklethwait and Adrian Wooldridge note the distaste for business and technology that characterized the British upper class well into the twentieth century. See John Micklethwait & Adrian Wooldridge, *The Company: A Short History of a Revolutionary Idea* 82-86 (2003).

The resolutions that they crafted to the problems posed by the emergence of a modern economy were widely influential.<sup>3</sup>

In our own time there have been changes in economic life no less dramatic than those of the sixteenth century. No new worlds have been discovered, but the world we know has become much smaller through the development of transportation and communication technologies. More importantly, perhaps, a new structure for organizing labor and capital was invented which quickly came to dominate economic life in developed countries. This invention, the corporation, is without precedent in human history. Prior to the nineteenth century, no large stable economic organizations existed, at least none that employed tens or hundreds of thousands of persons and endured for decades or longer.<sup>4</sup> By the end of the nineteenth century, however, this had all changed, especially in the United States, which had embraced the corporation more enthusiastically than any other nation.

The industrial corporation was both the child and the parent of the Industrial Revolution. In America, the challenges of building transcontinental railroads, of managing telecommunications, of providing oil and steel and automobiles (to say nothing of a wide variety of consumer goods) to a large population in a large country demanded a coherent and systematic application of labor and capital on an unprecedented scale. At the same time, the corporation made possible the efficiencies of coordinated mass production and the rapid development of technologies that created a new general prosperity.<sup>5</sup>

Of course, these new situations did not come into being without pain and sacrifice. Ancient forms of social organization, particularly in rural areas, were permanently disrupted within a generation. Many workers in Europe, for example, moved from the countryside to the cities in search of industrial employment (and a better life), but, [\*3] in doing so, they left behind centuries-old associations with family, church, village, and the lord. This meant that they also left behind the customary supports and protections, such as they were, that shaped their lives. The millions of immigrants to America experienced even more dramatic dislocations.<sup>6</sup>

For most of the nineteenth century the hierarchy of the Church paid little attention to economic matters.<sup>7</sup> The rise of socialism, however, with its atheistic convictions and its commitment to revolution and class conflict, demanded a response. That response most famously came in the 1891 encyclical letter of Pope Leo XIII, *Rerum Novarum*, in which a modern pope turned his attention to economic questions for the first time.<sup>8</sup> In *Rerum Novarum*, Pope Leo XIII strongly affirmed the right of private persons to own property, even industrial property, in opposition to the socialists.<sup>9</sup> He also discussed at length general principles to ensure the fair treatment of workers, but he did not

<sup>3</sup> Joseph Schumpeter famously observed that the origins of modern economics lie with the Spanish scholastics of this period. See Joseph A. Schumpeter, *History of Economic Analysis* 94-99 (1954).

<sup>4</sup> It is true, of course, that large organizations have existed in various times and places, but most of these have been armies, and most of them endured for little more than a season or two. Other organizations, such as some of the banks founded in the early modern period, endured for generations, but these never employed large numbers of people responsible to a central authority.

<sup>5</sup> Micklethwait & Wooldridge, *supra* note 2, at xx-xxii.

<sup>6</sup> See Second Vatican Council, *Gaudium et Spes* [Pastoral Constitution on the Church in the Modern World] P 6 (1965), reprinted in *The Sixteen Documents of Vatican II* 513, 519 (Nat'l Catholic Welfare Conference trans., St. Paul ed. 1967) [hereinafter *Gaudium et Spes*].

<sup>7</sup> There were some exceptions to this, such as Cardinal Manning in England and Bishop von Ketteler in Germany, but they were notable and rare. See, e.g., Georgiana Putnam McEntee, *The Social Catholic Movement in Great Britain 15-89* (1927); George Metlake, *Christian Social Reform: Program Outlined by Its Pioneer, William Emmanuel Baron von Ketteler, Bishop of Mainz* (1912).

<sup>8</sup> The standard American collection of papal encyclicals and United States episcopal documents on economic matters is *Catholic Social Thought: The Documentary Heritage* (David J. O'Brien & Thomas A. Shannon eds., 1992).

<sup>9</sup> Pope Leo XIII, *Rerum Novarum* [Encyclical Letter on Capital and Labor] PP 4-5, 11 (1891), reprinted in Claudia Carlen, I.H.M., *The Papal Encyclicals 1878-1903*, at 241, 242, 243 (1981) [hereinafter *Rerum Novarum*]. The right to own private property is

take note of the implications of the corporate form of organization.<sup>10</sup> Nor, with very modest exceptions, have any of his successors addressed the practical challenges faced by corporations: to respect human dignity more fully and to serve the common good of the civil community. The object of this paper is to offer some reflections, rooted in the Catholic tradition, on the nature of corporations and on the principles and practices that ought to animate the shape and behavior of corporations, both with regard to [\*4] their internal members (i.e., employees and shareholders or owners) and their principal external constituencies (i.e., customers and communities). More specifically, it will investigate the goods that corporations serve and how, in serving these goods, corporations can and should respect the dignity and needs of the persons affected.

This article considers the nature of the business corporation in light of the Catholic vision of the human person and human communities. It concludes that business corporations can indeed be suitable places of employment and vehicles for addressing human needs as long as key principles are respected. Part I reviews the structure and basic elements of the Catholic Social Tradition ("CST"). Part II examines more closely the Catholic conception of the human person and the work that persons perform. Part III introduces an analysis of the concept of common goods, which is one of the foundations for any theory of organizations. Part IV looks into the nature of specialized human associations and explores the implications of Catholic thinking on human persons and common goods for business corporations.

### I. The Catholic Social Tradition

It would be natural for someone interested in exploring such questions in the Catholic tradition to turn to the popes and bishops for explicit guidance about corporations - the Church is itself a kind of corporate body - but in this he would be disappointed. Church authorities have had little to say about the problems presented by business corporations (to say nothing of non-profit corporations, which are also structures for organizing labor and capital), but this should not be taken to mean that the CST has no resources with which to resolve them. To assemble the concepts necessary to address our questions we need to explore briefly the often-misunderstood nature of this tradition.

The CST is an element of a broader moral tradition.<sup>11</sup> As such, it should be understood not as a static body of doctrine, passively received by one generation after another, but rather as a dynamic body of knowledge - not unlike the physical sciences - that is [\*5] augmented and developed in linear fashion over time. To put it another way, the CST is not a codified body of principles and rules for arranging social interactions, but is rather an evolving response to a concern about the context in which human persons grow, develop, and live their lives, a natural result of the Catholic understanding of the human being as an embodied spirit and a social creature.<sup>12</sup>

Contrary to a common view, this tradition did not originate with the modern papal encyclicals that have contributed to it. In its various manifestations it is as old as the Church itself, being well represented in the writings of the Patristic period (the first centuries), the Middle Ages, and the Early Modern period.<sup>13</sup>

---

consistently reaffirmed in later encyclicals. See, e.g., Pope John XXIII, *Mater et Magistra* [Encyclical Letter on Christianity and Social Progress] P 19 (1961), reprinted in Claudia Carlen, I.H.M., *The Papal Encyclicals 1958-1981*, at 59, 61 (1981) [hereinafter *Mater et Magistra*] ("Private ownership of property, including that of productive goods, is a natural right which the State cannot suppress.").

<sup>10</sup> *Rerum Novarum*, supra note 9, PP 31-34.

<sup>11</sup> A good introduction to basic concepts in the Catholic Social Tradition ("CST"), especially for readers with a background in law, is Angela C. Carmella, *A Catholic View of Law and Justice*, in *Christian Perspectives on Legal Thought* 255-76 (Michael W. McConnell, Robert F. Cochran, Jr., & Angela C. Carmella eds., 2001).

<sup>12</sup> See Pope John Paul II, *Sollicitudo Rei Socialis* [Encyclical Letter on Social Concern] P 1 (St. Paul ed. 1987) [hereinafter *Sollicitudo Rei Socialis*].

<sup>13</sup> See Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* PP 72, 74 (2004) [hereinafter *Compendium*] (an essential summary of the Catholic social tradition).

The Catholic social tradition has generally had two modes, or functions, though one or the other has often been especially emphasized in different times and places. One mode is a critique of aspects of social life insofar as they influence the well-being of human persons (and perhaps insofar as they can be influenced).<sup>14</sup> The second mode is a set of proposals concerning the shape and substance of a society that would fully respect human dignity.<sup>15</sup> More crudely put, in one mode the CST identifies what is wrong with a society, while in the other it attempts to describe what a truly good society should be.

Furthermore, there are three dimensions, or areas of attention, that are integral to the CST. One dimension is political, where the tradition considers forms of government, jurisprudence, and the proper uses of power. A second dimension is economic, where the tradition considers questions of human needs and scarce resources. **[\*6]** The third dimension is cultural, where the tradition pays attention to the richness of social arrangements, artistic expressions, and other manifestations of human intelligence and creativity that shape and give an identity to members of a community. Once again, different dimensions have been emphasized at different times. The political dimension, for example, was of greater concern in medieval Europe than the economic dimension, while today the opposite is true. These dimensions, too, can be explored at different levels. For example, papal contributions on economic topics in the late nineteenth and early twentieth centuries tended to focus on local and national economic matters, such as the tension between labor and ownership, while later contributions gave more attention to economic relationships between nations.

It must also be emphasized that this tradition is not by any means the exclusive province of the hierarchy of the Church. The Church's self-understanding is that it is the particular responsibility of the laity to bring the Gospel to the secular world<sup>16</sup> - to the home, to the school, to the workplace, to the political arena - and so, CST especially profits from the contributions of lay thinkers and practitioners. The popes and bishops ordinarily conceive their role to be that of articulating principles and encouraging sound applications. It is not their role in the normal course of events to prescribe solutions to concrete problems; that is the task of the laity.<sup>17</sup>

It may be fairly said that all of Catholic moral theology is an unfinished project. While fundamental principles may be preserved, the understanding of the implications of principles may always be **[\*7]** deepened and new challenges may call for new applications. This is particularly true for the CST, and for two reasons. First, human societies are

---

<sup>14</sup> The writing and preaching of the early Church fathers, prior to the acceptance of Christianity under Constantine, was only mildly critical of political and economic conditions, partly out of concern that Christians not be seen as threats to the established order and persecuted. Beginning in the fourth century, as Christians moved into positions of authority and society became at least nominally Christian, leading bishops such as Ambrose, Basil, and Chrysostom, were severely critical of the social conditions of the time. In particular, they strenuously exhorted Christians to care for the poor.

<sup>15</sup> By the time of the early Middle Ages, when Europe was being shaped into Christendom, representative thinkers turned their attention to the responsibilities of princes who cared for their people. Charlemagne became the archetype of the good Christian king (and a model of sorts for Tolkien) and later writers, like St. Thomas Aquinas in the thirteenth century and Bellarmine in the sixteenth, wrote about the nature of a good society.

<sup>16</sup> This theme is a constant in Church documents of the past forty years. See, e.g., Second Vatican Council, *Lumen Gentium* [Dogmatic Constitution on the Church] P 36 (1964), reprinted in *The Sixteen Documents of Vatican II*, supra note 6, at 107, 147-48; *Gaudium et Spes*, supra note 6, P 43; Second Vatican Council, *Apostolicam Actuositatem* [Decree on the Apostolate of the Laity] passim (1965), reprinted in *The Sixteen Documents of Vatican II*, supra, at 333. This theme also receives considerable emphasis in the 1988 post-synodal Apostolic Exhortation, Pope John Paul II, *Christifideles Laici* [Apostolic Exhortation on the Vocation and Mission of the Lay Faithful in the Church and the World] (U.S. Catholic Conference ed. 1988).

<sup>17</sup> In recent years, and in some countries more than others, bishops and their staffs have been relatively aggressive in commending specific pieces of legislation or in supporting certain public policies. While bishops as individual citizens are surely free to express their views on public matters, the practice of official advocacy has occasioned considerable discussion within the Catholic community, and some concern that this constitutes an intrusion on the part of the bishops, or their staffs, into a properly lay arena. Indeed, I have spoken with Catholic legislators who have expressed their frustration with episcopal representatives who have presented a particular political preference as a matter of Catholic doctrine, thereby compromising Catholic legislators who, as a matter of prudential judgment, support alternate policies.

unstable. Political structures change, cultures mutate, and new forms of economic organization are devised. All of this calls for continual reflection and adaptation. Second, despite two millennia of development, the tradition has not systematically examined every aspect of human social life. For example, there has been a bias in the tradition against a careful reflection on the importance of creating wealth (and not merely distributing it), and so there has been little contemporary reflection on the topic.<sup>18</sup> A similar limitation exists concerning the function, structure, and management of business organizations.<sup>19</sup> The tradition has devoted considerable attention to families and to civil societies, but has not caught up with the modern proliferation of intermediate associations, or with the peculiar problems they present.

As a result, when we pose a question about the moral responsibilities of managers and executives, we cannot simply pull a book from the shelf or consult an official Church document for the answer. To be sure, the tradition has articulated and defended principles and concepts that can be brought to bear on these questions, but the work of doing so has not yet been done for us. We will turn to that task now by considering the nature of the human person and human work in the CST, the meaning of common goods, and the nature of the corporation as a human community.

## [\*8]

### II. The Nature of the Human Person and Human Work

In his 1991 encyclical, *Centesimus Annus*, Pope John Paul II claimed that socialist societies (and, for that matter, totalitarian societies of all sorts) had collapsed because they were grounded in a false conception of the human person.<sup>20</sup> No society rooted in falsehood or confusion can long survive; certainly none can be just. The Catholic Church has repeatedly insisted that it does not have specific recommendations to make about legal structures, forms of government, economic arrangements, or cultural frameworks.<sup>21</sup> These must be determined by the members of a society for themselves. Nevertheless, while it may not claim practical expertise in such matters, the Church does claim to be an "expert in humanity."<sup>22</sup>

#### A. The Nature of the Human Person

When the Church claims an expertise in humanity, it means that it has a set of principles to offer to the human community according to which practical arrangements of all sorts may be evaluated for their potential benefit or harm to human persons. The first of these principles is that each and every member of the human species is a person possessed of an irreducible dignity, or value. This dignity derives from the fact that each individual is an

---

<sup>18</sup> This may be changing, but the suspicion of wealth is deeply embedded in Catholicism. Furthermore, the very age and diversity of the tradition makes it difficult to grasp it as a comprehensive whole. Sixteenth-century Spanish theologians, for example, produced some very sophisticated analyses of the problems of wealth and commerce that have been largely forgotten for centuries and still remain virtually inaccessible to English-speaking audiences. See, e.g., Alejandro A. Chafuen, *Christians for Freedom: Late-Scholastic Economics* (1986); Juan Antonio Widow, *The Economic Teachings of Spanish Scholastics*, in *Hispanic Philosophy in the Age of Discovery* 130 (Kevin White ed., 1997).

<sup>19</sup> We may even go so far as to say that the CST has hardly moved beyond the critical mode in its treatment of wealth creation and business. The combination of apprehension about the temptations of wealth and a deeply-rooted sympathy for labor has moved most thinkers in this field, including many bishops, to do little more than scold businesspeople for their attitudes and practices. This, too, is changing but the constructive mode of CST in this area is still seriously underdeveloped. For examples, however, of papal efforts to recognize the vocation, virtues, and contributions of businesspeople, see *The Dignity of Work: John Paul II Speaks to Managers and Workers* (Robert G. Kennedy ed., 1994).

<sup>20</sup> Pope John Paul II, *Centesimus Annus* [Encyclical Letter on the Hundredth Anniversary of *Rerum Novarum*] PP 24, 29 (St. Paul ed. 1991) [hereinafter *Centesimus Annus*].

<sup>21</sup> *Id.* P 43; see also *Gaudium et Spes*, supra note 6, P 42.

<sup>22</sup> *Sollicitudo Rei Socialis*, supra note 12, P 7; see also Pope Paul VI, *Populorum Progressio* [Encyclical Letter on the Development of Peoples] P 13 (1967), reprinted in Claudia Carlen, I.H.M., *The Papal Encyclicals 1958-1981*, at 183, 185 (1981).

imago Dei, an image of God, with a supernatural destiny.<sup>23</sup> This reality makes each and every person valuable, regardless of age, physical condition, social status, or other qualification.<sup>24</sup> One consequence of this conviction is **[\*9]** that while individuals and their work may serve as instruments for the achievement of particular goals, they are never merely instruments.<sup>25</sup> The well-being and fulfillment of persons is never legitimately sacrificed as a means to achieving ends.

Second, human persons image God most properly in their possession of the God-like capacities to reason and to choose freely.<sup>26</sup> Every individual is challenged in his or her life to develop these twin capacities to the fullest extent possible, both in the speculative realm and the practical arena.<sup>27</sup> The degree to which human associations and systems are open to the development of individuals in these ways will be one criterion according to which they will be evaluated.

Third, human persons are radically social by nature.<sup>28</sup> This is to say that, like the Trinity, human persons are essentially members of societies, not merely individuals who form societies as a matter of expediency.

In this regard, the Catholic tradition is set against more recent philosophical traditions which assume that, in a so-called state of nature, human persons would live their lives and find their fulfillment in solitude rather than society. Under this view, communities are formed as matters of unfortunate necessity, in order to avoid undesirable outcomes, rather than as a means to achieve desirable outcomes that would otherwise be impossible.<sup>29</sup> Even those who would not posit quite so dark a view of the need for human communities are still likely to view societies as collections of individuals peacefully and privately pursuing their own satisfaction rather than as true human communities.

**[\*10]** Under the Catholic view, a true human community, in the fullest sense, is one in which every aspect of human flourishing is potentially a matter of public concern and in which persons actively collaborate in bringing one another to fulfillment.<sup>30</sup> It is just such a community that we yearn to form and to which we seek to belong, and it is only in such a community that individuals can truly be fulfilled.<sup>31</sup>

---

<sup>23</sup> The Catholic theological tradition understands by this, not merely that each individual is somehow a reflection of the divinity, since all of creation reflects the Creator in some way. It understands more than this; namely, that the human person is the one creature on earth that God willed to create for its own sake, see *Gaudium et Spes*, supra note 6, P 24, and that the human person alone among these creatures shares in the divine attributes of mind and immortality.

<sup>24</sup> This does not mean that each person must be equally honored or respected in a given community. Some people will always be rightly honored for their holiness, or for their extraordinary contributions to human welfare, or for their virtue, or for the offices they assume, or for a variety of other reasons (some better than others). Nor does it mean that no discrimination can be made between the innocent and the guilty. Still, it does mean that regardless of his or her wickedness or lack of distinction, each person is due a minimum of respect and protection that can never be legitimately set aside (hence the Catholic convictions about abortion, euthanasia, capital punishment, war, and so on). See *id.* P 27.

<sup>25</sup> Pope John Paul II, *Laborem Exercens* [Encyclical Letter on Human Work] P 6 (St. Paul ed. 1981) [hereinafter *Laborem Exercens*].

<sup>26</sup> See *Catechism of the Catholic Church* PP 355-357, 1704-1705 (2d ed. 1997).

<sup>27</sup> Catholic moral theology has long found it convenient to informally adopt Aristotle's theory of intellectual and moral virtues as a useful, but not complete, means to describe the challenges and goals of human development.

<sup>28</sup> *Compendium*, supra note 13, P 149.

<sup>29</sup> Thomas Hobbes is a classic representative of this view, as is John Locke in a more gentle way. A contemporary proponent of this view is John Rawls, although he may not subscribe to Hobbes's gloomy vision of the need for the first human communities.

<sup>30</sup> See *Compendium*, supra note 13, P 150.

There is a sharp and real contrast here between Catholic thought and some of the philosophical convictions that animated America's Founding Fathers. The latter were strongly influenced by the work of philosophers like John Locke and firmly disposed by their experience (both as British subjects and as Protestants) to cherish and protect individual rights. In principle, CST has no quarrel with this, as the protection of individual rights can also be the protection of human dignity. However, as has become so evident in the twentieth century, an excessive emphasis on individual liberty can shelter actions and systems that harm the dignity of the most vulnerable members of the community. <sup>32</sup> At the very least, an emphasis on individualism tends to distort communities into disintegrated collections where higher value is attached to non-interference than collaboration. <sup>33</sup>

The Catholic social tradition encourages a corrective rooted in an understanding of the person as social, though this corrective can also be carried too far. Under this view, human institutions of all sorts are minimally satisfactory to the extent that they do not positively damage, or encourage harm to, human dignity. But these institutions **[\*11]** can also aspire to be excellent, which would require them positively to promote human dignity and human flourishing. <sup>34</sup>

The Catholic tradition also has something to say about what does and what does not constitute human flourishing. Human persons are complex creatures possessed of both natural and supernatural destinies. <sup>35</sup> The supernatural destiny is nothing less than a share in the divine life, while the natural destiny is an integral human fulfillment. <sup>36</sup> The share in divine life does not extinguish human nature or natural fulfillment but supplements it in ways that we cannot imagine. Even so, short of the Kingdom of Heaven, some elements of natural fulfillment are attainable, however incompletely. These elements constitute a set of basic goods that are the natural goals of human activity. <sup>37</sup>

<sup>31</sup> See *infra* text accompanying notes 44-59. The Catholic understanding of the importance of community should not be simply equated with the various "communitarian" schools of thought in contemporary philosophy and economics. While there may be a number of points of agreement, there is certainly not a consensus between Catholic thinking and these philosophies on all aspects of the vision of human nature that underlies these schools of thought.

<sup>32</sup> For a summary of the Catholic tradition on human freedom, see *Compendium*, *supra* note 13, PP 135-143. On the sources and consequences of a negative emphasis on human freedom, see Servais Pinckaers, O.P., *The Sources of Christian Ethics* 327-41 (Mary Thomas Noble trans., Catholic Univ. of Am. Press 1995) (1985).

<sup>33</sup> The Catholic vision of a well-ordered society is neither libertarian nor communist. It respects and values initiative and personal responsibility, on the one hand, and encourages collaboration and solidarity on the other. It recognizes the importance of sound government for the preservation of the common good, but it also emphasizes subsidiarity, which limits the action of higher levels of government when lower levels or individuals themselves can act competently.

<sup>34</sup> See *Compendium*, *supra* note 13, PP 338-339.

<sup>35</sup> The content of and relationship between humanity's natural and supernatural destinies has long been a matter of investigation in the Catholic tradition. Suffice it to say here that the natural end of human persons is the possession of a set of perfective goods, such as health, knowledge, and moral virtue, which enable a person to act in the most humanly excellent ways possible. From a Catholic perspective, the fact that we live in a world broken by sin, and that in this world our natural end is not fully attainable, does not constitute a denial of such an end. Furthermore, the possession of what perfective goods can be attained must be subordinated to our supernatural end, since no naturally perfective good or action can be rationally preferred to a share in the life of God, who is infinitely perfect. See Germain Grisez, *Man, Natural End of*, in 9 *New Catholic Encyclopedia* 132, 132, 133, 138 (1967).

<sup>36</sup> The concept of integral human fulfillment has been most fully worked out by Germain Grisez and John Finnis. John Finnis, *Natural Law and Natural Rights* 81-99 (1980); Germain Grisez, *The Way of the Lord Jesus: Christian Moral Principles* 115-40 (1983) [hereinafter *Grisez*, *Christian Moral Principles*].

<sup>37</sup> Basic goods - such as health, knowledge (truth), aesthetic experience (beauty), play (action, especially skillful action, enjoyed simply for itself) - are perfective of human persons in specific, non-redundant ways. That is to say, the basic goods constitute categories of goods that cannot be reduced to one another or measured on a common scale. Grisez and Finnis both propose lists of basic goods. Finnis, *supra* note 36, at 86-92; Grisez, *Christian Moral Principles*, *supra* note 36, at 121-25.

Unfortunately, we live in a world broken by sin, both original and actual, and as a consequence we often pursue these basic goods badly. Our fears, our passions, and our appetites can cause us to pursue some basic goods and forsake others. More importantly for our consideration of corporations, we can be easily confused and misled about which actual goods are worth pursuing. That is to say, we can desire to achieve objectives or to have experiences that can be quite [\*12] destructive, rather than fulfilling.<sup>38</sup> Every business organization is challenged to distinguish genuine human needs from mere wants and to focus its attention on the satisfaction of these genuine needs.<sup>39</sup>

## B. The Nature of Human Work

On another level, the distinctive nature of the human person gives human work a distinctive character. Work, in its broadest definition, is any sort of productive activity. It is part and parcel of human life - not something to be avoided, but something to be made more human. While work is sometimes painful, this pain is a defect in work, not an essential characteristic. Indeed, a human life without productive activity would be a mere shadow of a truly good life. We can readily imagine not having to work for a living, but imagine what life would be like if every productive activity were denied to you. It would be a life without meaning or purpose.

Human work usually has two aspects, which we may call external and internal (or sometimes objective and subjective).<sup>40</sup> The external aspect is the impact that our work has on persons and things outside of us. The internal aspect, however, is the impact that our work has on the person who does the work. For example, the work of a nurse has an external effect on patients, whose health ordinarily is restored through the nurse's efforts. The nurse will also be affected personally, perhaps becoming increasingly compassionate to human weakness, or, if the circumstances of the work are poor, he or she may become insensitive and frustrated. In the work that we do, we become either more or less skilled, more or less satisfied, more or less human. Considered in both these dimensions, human work cannot be reduced to merely economic categories. The importance and value of work lies in more than merely the production of goods and services; its [\*13] greatest importance and value lies in the impact of work on persons, both as subjects of work and as the beneficiaries of work.

Furthermore, while every person has a claim on a share of the goods of creation to sustain his or her life, the ordinary way in which this claim is actualized is through work. Once again, the tradition does not see this principally as a burden, but rather as one of the ways in which the person acts as an *imago Dei*.<sup>41</sup> Through the use of intellect and will, the person images the divine activity and, in the best sense, acts as a collaborator with God.<sup>42</sup> One aspect of ordinary human fulfillment, then, concerns the fullest use of the mind and skills of the person working. Bad work frustrates the employment of human capabilities, but the best work perfects persons and serves as a means of self-expression.

Finally, human work is social in character,<sup>43</sup> which is to say that at its best it is neither done in isolation from other persons nor is it aimed solely at the satisfaction of the needs of the person working. Since human persons are social, there is a natural social element to good work. To be sure, some tasks are more private than others (e.g., a

---

<sup>38</sup> For example, we consume pornography or products like cigarettes, which harm us even when used as intended. Or we waste money, time, and other resources on products, services, and activities that provide only empty pleasures.

<sup>39</sup> Needs must be distinguished from luxuries and from apparent goods that fail to satisfy and may harm. A need in this sense refers to any aspect of genuine human flourishing, not merely to those things without which we die. Thus friendship and beauty are both basic goods for human persons and needed in any human life.

<sup>40</sup> Animals and machines are capable of performing tasks and doing work. In the human person, this basic capacity to work is uniquely enriched by human intentionality and by the depth of the subjective dimension. See *Laborem Exercens*, supra note 25, P 6; *Compendium*, supra note 13, PP 270-271.

<sup>41</sup> *Laborem Exercens*, supra note 25, P 4; *Compendium*, supra note 13, P 275.

<sup>42</sup> See *Laborem Exercens*, supra note 25, P 4.

<sup>43</sup> *Compendium*, supra note 13, P 273.



writer's work is almost always done alone), but even these tasks are often oriented to a social end and may depend upon indirect collaboration for their success.

It is the social character of human life and human work that leads us to consider the important role of common goods in the CST.

### III. Common Goods and the Common Good <sup>44</sup>

When one first realizes that human persons are naturally social beings, and that their genuine fulfillment inevitably involves a community of some sort, one begins to understand the critical importance of common goods. Attempts to understand and resolve issues of justice in a community must sooner or later deal with the [\*14] question of what it means for goods to be common. Unfortunately, the term "common good" is quite equivocal and this equivocation (and the frequent failure to identify explicitly the meaning intended in a particular context) is the cause of a great deal of intellectual mischief, not least among witnesses to CST.

#### A. General Definition of a Common Good

It is a mistake to speak of the common good, as if there were one good (or collection of goods) that composed the common good. <sup>45</sup> Goods, or a good, may be said to be common in a number of ways. Most generally, however, we stipulate that a common good by definition is one that is, or may be, shared (owned, used, enjoyed, or pursued) by a number of persons. <sup>46</sup>

Some goods we may call natural common goods because they simply cannot be owned, used, or enjoyed just by one person at a time; they are common possessions by their very nature. Examples of natural common goods would include the view of a starry sky, the tradition and culture of a community, or knowledge of the natural law. Most goods, though, are contingent common goods, which means that they may at some time be common, but only because of a set of contingent factors that creates a context in which they are owned, used, or enjoyed by a number of persons. Examples of these goods would be wide-ranging, but could include land, works of art, many kinds of knowledge, medicines, money, and so on. <sup>47</sup>

---

<sup>44</sup> This Section of the paper, and the next, attempt to lay out in rather summary form the basic elements of a theory of common goods and specialized associations that is compatible with CST. While dependent in many ways on the Catholic moral tradition, especially in its Thomistic roots, it is also indebted to the work of a number of contemporary philosophers and theologians. However, the form in which it appears here is more or less original with the author, who accepts responsibility for all of its weaknesses and oversights. It should not be misunderstood as a mere summary of official Church teaching.

<sup>45</sup> Though, to be sure, we do commonly speak just this way. When we do refer to the common good we ordinarily mean the common good of a political community, as discussed below. My hesitation about this usage is that it tends to blind us to the genuine common goods that exist within any human community.

<sup>46</sup> The description and taxonomy of common goods offered here is the analysis of the author. It emphasizes aspects of the concept of common goods that generally have not been emphasized in the Catholic tradition of moral or political thought (for reasons that are explainable but outside the scope of this article). This analysis, however, is not intended to be hostile to this tradition. For a brief discussion of common goods that has elements similar to the present discussion, see Grisez, *Christian Moral Principles*, supra note 36, at 270-73.

<sup>47</sup> Goods are sometimes said to be common because their nature is such that they may be shared among an indefinite number of persons without diminution. This inexhaustible shareability, however, is a property of some kinds of goods that may be either natural or contingent common goods, but it is not part of the definition of a common good. For example, knowledge of how to make absolutely superb chocolate chip cookies does not diminish (i.e., become less accurate or complete) if it is shared widely, but it might lose a great deal of its potential for generating wealth if it were held in common and the creator of the recipe were not able to sell the cookies exclusively. The entire system of patent protection is intended to ensure that even if certain kinds of knowledge are held in common (and the secrets of patented products and processes are publicly accessible), the wealth derived from the application of that knowledge may be possessed privately. So, these goods that may be shared without diminution are

## [\*15]

## B. Common Goods Are Instrumental or Final

Anything that serves as the object of intentional human action is a good, or at least an apparent good.<sup>48</sup> Furthermore, the good sought in any human action is either a final good or an instrumental good. A final good is one that, once achieved or possessed, brings an end to the action or series of actions directed toward it. An instrumental good is one that serves as a tool for the attainment of yet another good. The action or series of actions directed toward this instrumental good continues on toward some further good.<sup>49</sup>

Another way of putting this is to say that final goods are desired by human agents (whether rightly or wrongly) in and of themselves, and not because they are useful aids in accomplishing or possessing some further good. Instrumental goods, on the other hand, are really only desired because their achievement or possession furthers a larger plan to achieve some other good.<sup>50</sup> Speculative knowledge (which [\*16] satisfies simple wonder and curiosity but is not immediately useful) is one kind of final good, as are most forms of play (action engaged in and desired for its own sake, such as games and most amateur sports) and aesthetic experience (the enjoyment of beauty in art, music, or any of its forms). Money, power, and academic degrees (as distinct from the knowledge gained by studying for the degree) are all instrumental goods.<sup>51</sup>

Common goods, of course, may also be instrumental or final, though here it might be better to speak of them as constructive or substantive. A constructive common good is a set of conditions that makes it possible for members of an association to pursue their individual goals or to collaborate in the pursuit of common goals. Patrons in a

not, therefore, necessarily common goods. It might be better to speak of them simply as unlimited or infinite goods, susceptible of distribution to an indefinite number of persons without diminution.

By contrast, a limited or finite good is one that cannot be distributed to a number of persons (for their possession, use, or enjoyment) without diminution. For example, a community of some kind may hold, say, a supply of medicine in common. That is, the supply of medicine is not owned by an individual or a limited group of people within the community, but instead is the property of the community as a whole. Of course, we could also be talking about land, or money, or food, or housing space, or any other distributable resource. Commonality has to do principally with ownership, not with the character of a common good itself.

<sup>48</sup> See Aristotle, *The Nicomachean Ethics* 3 (H. Rackham trans., rev. ed. 1934), where in the opening lines of the book he defines a "good" as "that at which all things aim." See also *id.* at 141 (discussing apparent goods); Thomas Aquinas, *Summa Theologica*, Part I-II, Question 1, Article 1 (Fathers of the English Dominican Province trans., Christian Classics 1981) (1911).

<sup>49</sup> Apart from those common goods that directly constitute instances of human fulfillment, all common goods have an instrumental character. Moreover, the categories of private goods that they serve are incommensurable. That is, goods in the category of speculative knowledge are, in principle, neither superior nor inferior to goods in other categories, like health, aesthetic experience, or skillful performance. Indeed, we would generally consider it perverse for someone to value health only because it served to increase the opportunities for aesthetic experience, or for someone to make every other aspect of his life subordinate to the maintenance of his health. This is not to say, of course, that these things never happen, but rather that they are examples of practical irrationality when they do occur.

<sup>50</sup> Every instrumental good is a means of some sort. As means, instrumental goods are always valued for the sake of the end, or final good, that may be accomplished or possessed through them.

<sup>51</sup> Many goods have a sort of mixed character. They may be the culmination of a determinate set of actions, and so have the character of a final good, but they may also be valued for their utility in bringing about another good. For example, a man may carry through a plan to acquire a new power tool, not because he has a specific goal in mind for which the tool might be useful, but because he believes that the tool will be an excellent addition to his workbench. The actions that are part of his plan (saving money for the tool, shopping for the best product at the best price, creating space for it in his workshop, ordering it from a dealer, going to the store to pick it up, and so on) cease when he has the tool in his possession. Nevertheless, he values the tool for the things he may potentially make with it (notwithstanding the possibility that he might also derive some pleasure in owning the tool or in admiring the elegance of its design and construction - a modest final good).

library who maintain the quiet atmosphere sustain a constructive common good, a common good which nonetheless permits each of them to pursue individual study. Substantive common goods are shared final goods, especially those that are the result of collaborative efforts. Examples could include victory for a sports team or achieving an award for manufacturing excellence.

Constructive common goods, even though they are instrumental, may nevertheless be highly valued. Peace, order, and justice in a society are extremely important, not because they have an intrinsic value apart from their utility in supporting human well-being, but because they are virtually indispensable for individual flourishing. It would therefore not be unreasonable for a person to make extraordinary sacrifices - even to the point of laying down his life - to instantiate and protect these goods.<sup>52</sup>

**[\*17]** Both private goods and common goods may be either actual or potential. Actual goods are those that, at a given point in time, really are owned, used, or enjoyed. Potential goods are those that, while not presently owned, used, or enjoyed, are apprehended as real possibilities. Actual goods (whether common or private) do not, of course, motivate action intended to achieve them, though they may motivate protective action or action aimed at use or enjoyment. On the other hand, potential goods do serve to motivate goal-directed action, and potential common goods motivate collaborative action.<sup>53</sup> Indeed, underlying any genuinely collaborative action (as opposed to an aggregate of individual actions aimed at the same goal, e.g., a gold rush) there must be at least one potential common good.<sup>54</sup>

With respect to the actions of associations, however, common goods may be mixed, that is, they may have a kind of final character to the extent that the association ceases its collaborative activities once the good is attained. Thus, a committee may form to build a new playground for a community and disband once the playground is completed. The finished playground is a final good (goal) for the committee, even though the playground promotes (i.e., is an instrument for) private goods (e.g., health, play, friendships) indefinitely. Similarly, an army or an alliance may be formed in time of war in order to attain the good of victory, and suspend its operations once the war is over.

Totalitarian governments make the serious mistake of regarding the common goods of the state as substantive, as absolutely final, and so in the end become willing to sacrifice all manner of private goods **[\*18]** for their sake.<sup>55</sup> Even in wiser societies, caution must always be exercised in crafting and applying positive laws so that the conditions that must exist in a society to promote the flourishing of its members are adequately protected while at the same time private goods are not unreasonably harmed.<sup>56</sup> To be sure, in any society, some private goods are

---

<sup>52</sup> The Catholic tradition has maintained that such sacrificial actions may be matters of charity or justice, and that societies may rightly demand sacrifices of some of their members if those sacrifices are necessary to preserve the constructive common good of the society. But justice also demands that the sacrifices be distributed fairly and according to relevant criteria.

<sup>53</sup> See Finnis, *supra* note 36, at 150-56 for a discussion of the role of common objectives in the formation and life of communities that corresponds to the concept of "potential" common goods as introduced here.

<sup>54</sup> Potential common goods are frequently mere instruments for the attainment of private goods. Employees working together to make a company profitable may be less concerned (or even not at all concerned) about the long-term health and financial integrity of the business than about the things they may purchase with the salary and bonus they receive from the successful operations of the firm. Such persons are not truly engaged in collaborative action, but rather use a community of some sort to achieve their private goals. More thoughtful members recognize that, in addition to whatever private goals may be served by the effective operations of the association, there is also a goodness (associated with the good of friendship) to purposeful action pursued in communion with others. Action of this sort is more genuinely human, while goal-directed action is defective that intentionally avoids or extinguishes collaboration where collaboration would be effective, even if not maximally efficient.

<sup>55</sup> In the Catholic social tradition the purpose of the state is ultimately to preserve the private good (i.e., the well-being) of individuals. The state may require sacrifices from some individuals in order that it may continue to serve the well-being of all, but it cannot legitimately subordinate the well-being of all its citizens to its own perpetuation and strength. To do so would be the greatest betrayal. See Compendium, *supra* note 13, PP 384-385.

incompatible with sustaining these public conditions and so may be legitimately curtailed (e.g., free speech need not be protected if it is slanderous) - but a prudent balance must nevertheless be maintained.

Certain common goods may be final in another way as well. Some unlimited common goods may be genuinely final if their use or enjoyment itself constitutes an element of integral human fulfillment. For example, something of beauty, whether natural like a sunset, or artificial like a fine painting, directly instantiates the object of aesthetic experience. Similarly, purely speculative knowledge can be valued for its own sake, as opposed to practical knowledge (the knowledge of how to make or do something), which always has an instrumental character.

In contemporary discussions of the CST, the term "common good" is ordinarily taken to refer primarily, if not uniquely, to the common good of the political community.<sup>57</sup> This common good is a constructive good of fundamental importance, but as such it is instrumental and not final.<sup>58</sup> It serves the private well-being of the individual members of a society, but since the individual members are social by nature, the common good commands individual respect [\*19] and support.<sup>59</sup> Additionally, while in earlier ages, when human communities were relatively isolated from one another, it was possible to speak of the common good as applying to groups no larger than nations, in the modern world, with the almost universal interdependence of peoples throughout the globe, we must consider the common good to be that of the entire human community.

#### IV. Common Goods And Specialized Associations

Organizations are crucially important for modern life. Without organizations of the number, variety, and size that we see in the developed world, our quality of life could simply not be what it is. The incredible diversity of goods and services we enjoy would not exist nor, in fact, would so many other things that we have come to take for granted. Without smoothly functioning organizations our diets would lose much of their variety, our health care would be much more primitive, we would travel less, know less, and generally live poorer lives.<sup>60</sup>

While every association that human beings form is deliberately intended by someone to bring about some human good, not every association succeeds in doing so. Some fail because the actual goals at which they are aimed are illusory goods and do not provide any genuine human satisfaction. Others fail even though they aim at genuine goods because they are so poorly structured and managed that they cannot achieve their goals. Still others fail both tests: they aim at the wrong things and, being poorly structured, cannot achieve even these goals. The fundamental goal of professional management is the creation and support of excellent organizations, which aim at worthy goals and are properly structured and managed. In order to avoid these failures we need to have answers to two kinds of questions.

<sup>56</sup> Even within a single society, these conditions may vary with circumstances. A society that finds itself at war may need to impose limitations on travel and communication (private goods) so that other elements of well-being are protected.

<sup>57</sup> See Compendium, supra note 13, PP 164-170.

<sup>58</sup> The classic definition of the common good of the political community is found in CST in *Mater et Magistra*: the common good "must take account of all those social conditions which favor the full development of human personality." *Mater et Magistra*, supra note 9, P 65. Similar language can be found in *Gaudium et Spes*, where the Council essentially adopted Pope John's definition: the common good is "the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfillment." *Gaudium et Spes*, supra note 6, P 26.

<sup>59</sup> Practical reasonableness requires that individuals not act in ways that would undermine the common good (respect) and be open to acting in ways that would better instantiate it (support). It would be irrational for an individual deliberately to attack the common good of the society since by doing so he would incrementally decrease his own well-being and likelihood of achieving genuine fulfillment. *Catechism of the Catholic Church*, supra note 26, PP 1905-1906, 2039. Of course, such irrationality is not uncommon.

<sup>60</sup> There is no doubt, of course, that modern technologies and modern organizations have also served to introduce more stress into our lives and to coarsen them in a number of ways. This, however, is a result of our flawed use of technology and organizations, not an inevitable consequence of their mere existence.

**[\*20]** One of these is the question of how to go about achieving a goal; that is, what methods work, what tools and skills are required, what techniques are useful, and so on. The second question concerns the why of what we do, that is, what goals we should be pursuing? In the context of managing organizations, we want to know what the legitimate purposes of the organizations are and what organizational structures and policies will best accomplish those purposes.

The answers to these questions provide us with a means to evaluate the quality of organizations. Poor organizations either fail to accomplish their goals or achieve their goals only by damaging other goods in the process. Satisfactory organizations will be successful in achieving a limited range of goals and they will do so without systematically damaging other goods. However, excellent organizations will achieve and promote a much wider range of relevant goods, even if they do not "maximize" a particular good to the degree that other structures and policies might.<sup>61</sup>

Human beings are naturally inclined to form associations of all sorts, and for all sorts of reasons. The variety is limitless in one sense because we can always form associations for new and unprecedented purposes. In another sense, however, all associations fall into one of three categories.<sup>62</sup> In order to understand what an organization is (and what it is not) and to see what makes an organization excellent, it will be helpful to explore these three types.

The ancient Greek philosopher, Aristotle, was among the first to analyze human associations systematically. Where his teacher, Plato, explored the nature of the ideal state at length in his classic dialogue, *The Republic*, Aristotle set out to gather information about as many different cities and states as he could in order to understand human communities as they really existed.<sup>63</sup>

**[\*21]** He divided communities into three types: Families, Villages, and Cities (or what today we might call a society).<sup>64</sup> Villages, he argued, evolved naturally from family units, and cities from villages. His work became a basic resource for political science and helped to form the conceptual framework of that discipline.

In any event, the most inclusive community is a political community, or society. A political community can be understood in Aristotle's sense as one which makes available everything that is required for a truly good human life. We might also call this a complete community. When we speak about the common good, we often mean the set of goods or conditions in a political community that best supports the flourishing of each person in the community.<sup>65</sup> This set of goods includes such elements as peace, justice, universal education, participation in culture and public life, and so on.

Another community is the family, and we might call this a quasi-complete community. While the family clearly does not contain within itself the resources necessary for a truly good human life, it is concerned with virtually every aspect of human flourishing, just as a political community is. The common good of a family, therefore, resembles the common good of a political community: it has as its goal every aspect of the flourishing of its members (though

---

<sup>61</sup> This, of course, is one of the key points of disagreement between CST and classical economic thinking with respect to the question of corporate governance, and it needs to be explored further. For the moment, though, consider that a police force that maximizes the number of criminals captured only by exercising very broad powers of search and seizure might not be an excellent organization. It succeeds on one level, but it damages real goods in the process.

<sup>62</sup> The criteria for categorizing communities here has to do with the range of human goods they seek and the capabilities they possess, in principle, for achieving these goods. We may speak of them as complete communities, quasi-complete communities, and incomplete communities as discussed below.

<sup>63</sup> Aristotle's principal treatise is the *Politics*. Aristotle, *Politics* (H. Rackham trans., rev. ed. 1944) [hereinafter Aristotle, *Politics*]. He also is reputed to have done an extensive study of the "constitutions" of a large number of Greek city-states. Only the *Constitution of Athens* has survived largely intact, while the larger project exists only in fragments and quotations in other sources. Aristotle, *Constitution of Athens* (E. Poste ed. & trans., Fred B. Rothman & Co. 1993) (1891).

<sup>64</sup> See Aristotle, *Politics*, supra note 63, at 2-13.

<sup>65</sup> See Mater et Magistra, supra note 9, P 65.

its limited resources mean that it must focus on preparing its members, rather than fulfilling them) and so it requires peace, fairness, and so on.

A third kind of community is a specialized association, or an incomplete community. A specialized association, as the name implies, is ordered not to the integral fulfillment of its members, but rather toward attaining some human good or limited set of goods. A business corporation is a specialized association, but so is an army, an orchestra, a bowling club, a university, a criminal syndicate, and virtually an indefinite number and variety of human organizations.

As a subject of careful study, the city-state, or society, was Aristotle's particular focus. He devoted some attention to the family and the household (an anonymous essay on the subject has long been [\*22] thought to have been written by him), but not very much.<sup>66</sup> Neither was he much interested in villages because he considered them to be a transitional group, a temporary development, wedged between the more enduring and important communities, family and society. Until recently, philosophers have tended to give similar emphasis to these two groups to the neglect of other associations, and therefore while over the centuries there has been a great deal of ethical reflection on families and societies, there has been next to none on other groups. To be fair, though, it has only been in the last century or two that another kind of group - the organization - has developed as a large and stable kind of human group, and therefore played a significant role in human life.<sup>67</sup>

A specialized association is defined by the goods that its members pursue through collaborative action, which are the common goods of the organization. Some of the goods are potential (i.e., goals) and these serve to focus and motivate collaboration. Others we might call constructive, that is, they are instrumental in character and consist of the conditions necessary to promote and facilitate successful collaboration: justice, communication, and so on. These constructive common goods are analogous to the common good of a political community.<sup>68</sup>

Our understanding of the relationship between a specialized community and a political community needs further refinement. Until relatively recently (perhaps as late as the nineteenth century), specialized associations played only a small role in human life. In the twentieth century, however, that role has expanded greatly, both in terms of the size of specialized associations and their numbers. In [\*23] developed societies today, virtually everyone is dependent upon specialized associations, either directly or indirectly.<sup>69</sup>

These organizations should have considerable freedom in identifying and pursuing goods, which, to the extent that they serve to focus and motivate collaboration, will genuinely be common goods for that organization. To be morally legitimate, these common goods must be true human goods (and not merely apparent goods, like revenge or pornography) and they must be pursued by morally sound means (so, a criminal organization might pursue real goods but do so by immoral means). Furthermore, the pursuit of these goods cannot undermine the constructive common good of the larger human community. However, insofar as the goods pursued really are human goods, it is

---

<sup>66</sup> Aristotle devotes a few pages at the beginning of his *Politics* to the questions of the household. The treatise *Oeconomica*, which was once attributed to Aristotle, is partly a compilation from other sources and partly the work of an unknown later author. In any event, it is a short work no longer than a single book of the *Politics*.

<sup>67</sup> Traditionally, when thinkers gave their attention to this alternate category, they tended to regard organizations either as overgrown families or as little societies. (How often have we heard, for example, about corporate "families" or organizational "politics"?) Today they deserve our attention in their own right. No doubt, if Aristotle were alive today he would have some interest in the nature of modern organizations and their role in social life.

<sup>68</sup> Specialized associations themselves range along a spectrum of possibilities, from those which have only the most primitive common goods (such as minimal respect for persons and goods of non-interference) to those in which concrete goals are understood throughout the organization and are the objects of enduring commitment for members of the organization.

<sup>69</sup> This is not, however, to say that we lead lives that are socially richer. In many cases, while we may do what we do in the context of an organization of some sort, we do these things not as members of a true human community but as strangers in a crowd. See generally Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (2000) (describing the curious decline of community at a time of the increased importance of organizations).

not necessary that the goods of a specialized association intentionally and directly support the common good of the larger community. They may quite legitimately do nothing more than facilitate the attainment of private goods by those associated with the organization.<sup>70</sup>

#### A. What Is the Purpose of a Business Corporation?

Human organizations can be considered from a number of different perspectives, which may yield different answers when we ask questions about their nature and purpose.<sup>71</sup> We can consider a [\*24] business as something that can be owned and in so doing focus on the property belonging to the organization to the exclusion of the people. This may lead us to think about the rights of the owners and the obligations of those who make use of their property in the course of the firm's activities. We can ask about the purpose for assembling these assets and how the assets ought to be used.

We can also recognize that there can be quite a difference between an ideal organization and the sorts of organizations we observe in practice. This may lead us to describe a sort of minimalist organization. This, I believe, accounts for the common description of corporations as a nexus of contracts.<sup>72</sup> Prescinding from the more complicated and richer relationships that exist in most organizations, we can focus simply on the transactions that take place between persons associated with a business. It is certainly true that employees contribute labor and expect compensation in return, that investors contribute money and expect a return on their investment, that customers expect a good or service in exchange for their cash, and so on. This may well be a useful tool for examining some aspects of an organization's activities, but we should not forget that it is a thin view of a much more complicated reality.<sup>73</sup>

In the context of the present discussion, we are justified in saying that a business corporation is a specialized association. This means that it is a kind of human community, but one which is distinct from families (quasi-complete communities) and societies (complete communities). As a specialized association, a business corporation can be and usually is much more than merely a nexus of contracts. Nevertheless, it is not concerned by nature with every aspect of human flourishing but focuses instead and exclusively on a particular set of goods. Since it is an incomplete community, there are many genuine goods that it does not attempt to realize.

The particular question we must address concerns what goods a business corporation should or may legitimately pursue; we must ask why the business exists and not be content with a superficial answer. [\*25] Prevailing

---

<sup>70</sup> That is, while the common goods of smaller communities must ordinarily be subordinated to the common good of the larger community within which they exist, it is not the case that the common goods of smaller communities must always be directed to serve the common good of the larger community. To put it another way, the actions of smaller communities or associations must not be such as to undermine the common good of the larger communities of which they are a part, although their actions need not always aim deliberately to enhance that common good in particular ways in order to be morally sound. Business organizations, therefore, need not use their resources to address social problems in order to be morally worthy associations. They are morally worthy if they pursue authentic goods in ways that properly respect other private goods and the common good of the larger community.

<sup>71</sup> The CST challenges us to move beyond a narrow and constrained conception of the social structures in which we live our lives and to aspire to something richer and more suitable to persons who are, after all, images of God and heirs to a supernatural destiny. See Romans 8:14-17.

<sup>72</sup> A preference for this description may also stem from a certain reluctance on the part of observers to believe that persons in a business organization may truly pursue goals in common and not merely make the private goals of others instruments for their own satisfaction.

<sup>73</sup> This thin view is a result of asking simply what a structure is or what experience we have had with it. As mentioned above, we need to move on to ask why. In other words, we need to consider the purpose of what we do and create in order to make our work and choices more suitable to human fulfillment.

economic theory asserts that the overriding objective of a business corporation is the maximization of the wealth of owners (i.e., shareholders, in the normal course of events). The CST does not concur.<sup>74</sup>

Does this mean that the tradition regards profit as morally unsavory, as some would suggest? Quite the contrary.<sup>75</sup> The CST regards profit as a good and prosperity as a blessing. Nevertheless, and this is an important point, it does not and cannot regard profitability as the dominant objective of a business. In 1991, Pope John Paul II expressed this view as follows:

The Church acknowledges the legitimate role of profit as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied. But profitability is not the only indicator of a firm's condition... . In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavoring to satisfy their basic needs, and who form a particular group at the service of the whole of society.<sup>76</sup>

Three things ought to be noted here. First, the success of a business is properly measured in more than one way. Second, the purpose of a business has something to do with its character as a [\*26] community. And third, this community is deliberately put at the service of the larger society.

We misconceive business, under the Catholic view, if we think of it as unidimensional, that is, as an activity or an organization that has only one goal to which every other element is subordinated. In fact, business, like most activities in the real world, is multidimensional. If a business is to be genuinely successful it must succeed on several levels at once, which is to say that it must achieve a balance between several criteria, such as profitability, employee satisfaction, and product quality and value.<sup>77</sup> A business that fails to achieve this balance cannot long maximize the criterion it chooses to be dominant.<sup>78</sup>

---

<sup>74</sup> E.g., *Centesimus Annus*, supra note 20, P 35 ("Profit is a regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business."); *Catechism of the Catholic Church*, supra note 26, P 2424 ("A theory that makes profit the exclusive norm and ultimate end of economic activity is morally unacceptable.").

<sup>75</sup> It is certainly true that there is a strain in Christian thinking, rooted in ancient times, that regards profit with considerable suspicion. This is so for at least two reasons. First, profitability has too often been associated with greed. E.g., 1 Timothy 6:10 ("The love of money is the root of all evil."). Second, from ancient times until the modern era the model of the businessperson was the traveling merchant (not the manufacturer or the storekeeper), who often had, and deserved, the reputation of one who cheated his customers.

<sup>76</sup> *Centesimus Annus*, supra note 20, P 35 (emphasis removed). The translation of the key phrase is quite literal. A more fluid translation might be, "Profit is not the only measure of a company's success." Lest this be seen merely as a quaint theological position, consider the comment of Peter Drucker, long regarded as the most important management thinker of the twentieth century: "Profitability is not the purpose of but a limiting factor on business enterprise and business activity. Profit is not the explanation, cause, or rationale of business behavior and business decisions, but the test of their validity." Peter Drucker, *Management: Tasks, Responsibilities, Practices* 60 (1973).

<sup>77</sup> Most sports are unidimensional activities. Only one thing really counts for success: the final score, the fastest time, the longest throw, etc. But then sports are contrived and artificial, and not full-fledged representations of real life. (Consider, however, figure skating, gymnastics, or diving, where flawless execution and exceptional style are required for a top performance.) This is one reason why sports analogies are often misleading and distracting for business.

<sup>78</sup> There are countless stories of companies that have oppressed employees and cut corners on customers in order to pump up profits. It can work, for a time, but the imbalance such management practices create will punish the company severely. So, too, will an excessive focus on employee satisfaction or customer value (though these examples are rarer). By contrast, the relatively few companies that manage to achieve a high level of profitability over time (decades rather than quarters) are almost always both attentive to employees and to customers. IBM, Johnson & Johnson, and Southwest Airlines are outstanding examples.



The second point reminds us that businesses are associations of persons who come together more or less freely to pursue goals of mutual interest and benefit, namely, potential common goods.<sup>79</sup> At their best, in the real world, businesses are collaborative associations that draw people together, not merely for personal gain (though few employees would do their jobs if they were not paid) but because they are attracted by the activities and ambitions of the organization. Real businesses are rarely organized by shareholders seeking an [\*27] investment; they are almost always organized by people captivated by an idea who turn to capital markets only after they have proven that their idea can attract and hold employees and customers.

Finally, as a community of persons, a business serves important but intangible goods, not least of which is the good of friendship, broadly considered. It also serves the larger society by offering goods and services that, at their best, meet the real needs of customers. This is one way, though not the only way, in which businesses serve the common good of the political community.

#### B. How Should a Consideration of Common Goods Shape a Corporation?

Our present social and economic structure favors the formation of business organizations, even large organizations, and disfavors independence in making a living. That is to say, most people today will not work independently as craftsmen who own their businesses or as family farmers. Most of us will work for organizations of one sort or another, and these organizations will have a tendency, if they are healthy, to grow larger.

There are a number of reasons for this, not least that we are frequently engaged in more sophisticated activities than we were a century ago. In developed economies, we expect stores to offer a broader array of merchandise. Many of the things we buy are much more complicated to manufacture and bring to the marketplace than the products of an earlier generation. In general, our economic lives, as well as our private lives, have become more complicated. Individual producers, whether farmers, craftsmen, or professionals, can rarely satisfy the needs of the community. Some sort of organization is required, and this is true in the non-profit sector as well.

As a result, it becomes more critical to ask how these organizations should be structured and how they should behave. Those interested simply in efficiency will provide one sort of answer, but the Catholic social tradition, which has a concern for the integral development of the person, will have a significantly different vision of a good corporation.

It is worth emphasizing that this discussion focuses on what a corporation can be, not what every corporation already is. Some corporations, of course, are organized and managed very badly; [\*28] others display a certain effectiveness, but only at the cost of considerable harm to their members. Our focus in what follows depends upon the answers already given to what corporations can aspire to be and the common goods to which they ought to attend. In other words, we now turn our attention to questions of how, in principle, the Catholic vision for corporations can be instantiated.

##### 1. Attention to Potential Common Goods

Human persons flourish in communities, and human associations, at their best, always have the character of a community. Communities, as mentioned above, are defined by potential common goods, or goals, and by their capacities. A specialized association like a business corporation takes on the character of a community, in the first

---

<sup>79</sup> To be sure, business activities can be carried on by persons whose relation to one another is merely transactional, defined by the terms of a contract. Other than minimal mutual respect, there need not be any potential common good that defines the organization. In such a case, however, there really is no organization. Instead we might have what was for a time called a "virtual corporation," in which there are no employees and no offices, nothing but a network of contractual relationships. While such networks may exist, they are not the model for business organizations and indeed may be practical only in very limited circumstances. Furthermore, experience will show whether in the absence of important potential common goods (i.e., goals that can be shared) a virtual corporation, or any organization, for that matter, can long survive. The likely tendency will be for sub-groups in the organization (e.g., skilled workers, management) to embrace potential common goods relevant to themselves but in conflict with the well-being of the organization as a whole.

place, when it possesses definite goals, when the goals are well understood by the members (employees and investors), and when these members are committed to collaborate in pursuing these goals. It is this shared vision and mutual commitment that, I submit, lays the foundation for other elements of community character.

Furthermore, the best goals for a corporation will be goals that are inherently worth achieving, in that they address and satisfy, directly or indirectly, genuine human needs. Goals that are frivolous or that are entirely detached from real human needs can rarely, if ever, command the sort of commitment that builds a community.

It is the responsibility of the leaders of the corporation to craft a worthwhile set of goals, to communicate these goals clearly, and to solicit the commitment to collaboration. In reciprocation for the necessary commitment to collaboration, the leadership of a corporation must itself be committed to regard investors and especially employees as genuine collaborators, not merely instruments for their own ends.<sup>80</sup> They must also be committed to a fair distribution of the rewards that follow from success in achieving the goals.<sup>81</sup> Corporations that succeed in doing this may also expect [\*29] benefits in terms of real efficiencies since the employees are concerned to reduce waste and to devote their energy to productive activities.<sup>82</sup>

## 2. Attention to Instrumental Common Goods

In addition to potential common goods, corporations need to be attentive to a variety of instrumental common goods, some of which will be internal and some external to the organization. These goods will be conditions for certain aspects of the well-being of persons affected by the organization, which is to say that they help to identify how persons can be respected in organizations.

For example, there are at least four instrumental common goods that concern employees, all of which are in service of the human dignity and integral fulfillment of the employees as human persons. First, there is the set of circumstances that surrounds their work. This work must be done for good ends, which is to say ends that in their turn serve the human person.<sup>83</sup> Work that serves no authentic human need, or that cannot be perceived by the employee to serve an authentic human need, is deeply dissatisfying. On the other hand, work that clearly serves genuine needs, even if the work itself is tedious, dirty, or very tiring, can be good work and satisfying to the worker.<sup>84</sup>

Second, since work always has a social dimension, this must be reflected and respected in the corporation. This means that the context of work must be open to fellowship and the formation of friendships, not as a distraction from the tasks that must be done but as an element of human fulfillment.<sup>85</sup> In developed societies it is not uncommon for friendships in the workplace to substitute for friendships that once arose in the neighborhood or the parish. In any [\*30] event, a workplace becomes a less-than-fully-human setting if the natural human urge for friendship is frustrated.

---

<sup>80</sup> See Compendium, supra note 13, P 277.

<sup>81</sup> A failure to distribute rewards fairly, and to be perceived as distributing rewards fairly, is utterly destructive of the commitment to potential common goods. This is one reason for regarding high executive compensation as unwise and unhealthy even where it might not be strictly unjust.

<sup>82</sup> The experience of a company like Southwest Airlines provides evidence for this. In part because the goals of the company are clear and because employees are committed to achieving them, Southwest has been able for decades to be one of the most efficient (and sometimes the only profitable) large airline in the industry. Though it is a somewhat uncritical company history, see Kevin Freiberg & Jackie Freiberg, *Nuts! Southwest Airlines' Crazy Recipe for Business and Personal Success* (1996).

<sup>83</sup> Compendium, supra note 13, P 272.

<sup>84</sup> There are any number of examples of work that are difficult or unpleasant in themselves but that are redeemed, so to speak, by the end for which they are done. One only need think of occupations such as nursing, firefighting, or the military.

<sup>85</sup> See Compendium, supra note 13, P 273.

Third, employees, as more than just human instruments of production (whether in manufacturing or any other setting), are rational agents who need and deserve to have a voice in the manner of doing their work and in some of the details of the operation of the business.<sup>86</sup> This is not to say that the management of an organization is required to sacrifice its decision-making authority but rather that workers, as true collaborators, must be permitted to participate in decisions in appropriate ways. At the very least, the workplace must permit some flexibility, varying with the demands of the work to be done, in the way in which individual workers complete their tasks. Depending upon the setting, workers might also have opportunities to set directions and priorities.<sup>87</sup>

The fourth instrumental common good concerns fairly sharing the rewards of the organization's successes. This is a matter of distributive justice, since it concerns a distribution to members of a group from a common good or resource, in this case the profits generated by a company's operations. It is instrumental because the compensation given to an employee is an important contribution to the person's well-being.

The Church is not committed to a particular scheme for determining fair compensation. It recognizes that owners and investors are due a fair share and that the risk associated with starting, funding, or managing a business might well justify a larger reward. At the same time, the Church is committed to the idea that regular, full-time employees must receive a minimal level of compensation that will permit them to live a decent life.<sup>88</sup>

Analogous sets of instrumental common goods also pertain to the well-being of shareholders. They also deserve to participate in appropriate ways in the decisions of the organization and to receive a **[\*31]** fair share of the rewards. In the shareholder case, as in the case of the employees, the managers responsible for the organization have a duty to establish these instrumental goods and to be just distributors of resources and rewards.

Beyond the sets of common goods that are internal to the corporation, there are also instrumental common goods external to the organization that pertain to customers and to the general community.<sup>89</sup> Principal among these common goods is the overall common good of the civil community. While it is not the case that every action of a business corporation must in positive ways contribute to this common good, businesses must nevertheless always avoid actions which would harm it.

There are, of course, ways in which corporations do make positive contributions to the common good of the community, contributions which cannot be made by anything other than the business sector. These are the creation of wealth, which translates into the general prosperity of the community, and the creation of jobs. In the latter case, managers have a duty to create jobs insofar as this may be consistent with the long-term health and success of the corporation.<sup>90</sup>

---

<sup>86</sup> Id. P 281.

<sup>87</sup> One way in which this can be facilitated is by creating a set of conditions in the workplace in which it is normal to share information (itself an actual common good) with employees on a regular basis, rather than treating information as the private possession of management.

<sup>88</sup> See Robert G. Kennedy, Professor, Departments of Management and Catholic Studies, University of St. Thomas, Paper Presented to the Lilly Fellows Program's Second National Research Conference at Baylor University: The Practice of Just Compensation (Nov. 8, 2002) (developing a theory of just compensation according to the principles of the Catholic social tradition).

<sup>89</sup> This statement should not be taken to endorse a broad stakeholder theory of corporations, in which a variety of parties are supposed to have a right to shape the actions of a corporation simply in virtue of the fact that they might be affected by these actions. All we need to assert is that a corporation has responsibilities to customers and civil communities, which do not entail recognizing them as internal members of the corporation.

<sup>90</sup> As long as the law permits them broad liberties to determine freely who is and who is not to be associated with the corporation as an employee, it is inconsistent with this duty for managers to be committed to the objective of diminishing opportunities for employment. They also have a duty of caution with regard to decisions about the termination of employees who might find it particularly difficult to obtain alternate employment (e.g., older workers).

With regard to customers, corporations often provide private goods but also frequently supply instrumental common goods, such as means of communication and transportation, information, entertainment, and infrastructure. In each of these cases, as with the private goods and services they may produce, they have a duty to insure that what they offer to customers serves an authentic human need and serves it well.<sup>91</sup>

### **[\*32]**

#### Conclusion

All of God's creation is fundamentally good, but human sinfulness can distort this goodness. Something similar can be said of corporations as a form of organizing human work. There is nothing about the corporation in its essential characteristics that makes it an unsuitable instrument for employment, production, or investment. Nevertheless, the corporation also has great power to shape lives and work and the satisfaction of human needs. When corporations are structured and managed in such a way as to be attentive to the dignity of the person and to the common goods that instantiate and protect that dignity, they can indeed be instruments for enhancing human well-being. But when they are managed with a focus only on efficiency or profitability, without due regard to the ultimate end of economic activity, the human person, they can do great harm. The Catholic social tradition provides some tools and concepts for shaping corporations in positive ways and some guidance for the professionals who must work out the concrete details of these positive contributions.

Ave Maria Law Review  
Copyright (c) 2006 Ave Maria School of Law

---

End of Document

---

<sup>91</sup> Of course, corporations cannot control the uses to which customers might put their goods and services. Individuals are often capable of perverting an intended use or grossly misusing a product. However, a corporation fails to serve an authentic need if, for example, it sells pornography or knowingly distributes misinformation.